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The ECONOMIC DIGEST

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Editorial Announcement

Beginning with the next issue an important feature will appear every month in THE ECONOMIC DIGEST. It will be called "Significant Trends of the Day," and will aim at taking bearings on all currents and cross-currents of economic affairs.

This valuable feature will be written by Mr. George Dorrance, Assistant Editor of the London and Cambridge Economic Service, who has recently succeeded Professor F. W. Paish as secretary of the Editorial and Executive Committees of the Service. He was formerly an officer of the Bank of Canada. Mr. Dorrance is therefore admirably equipped for the important task that he will undertake in the service of readers of THE ECONOMIC DIGEST.

Our Service to Readers

Questions answered—Sources indicated—Facts checked

Subscribers to THE ECONOMIC DIGEST are invited to submit any questions concerned with economic facts, or to submit their own writings or theses for factual criticisms which, for obvious reasons, cannot be elaborate.

It is possible to present in THE ECONOMIC DIGEST only a small part of the mass of material—reviews, speeches, privately-circulated memoranda, as well as newspapers, journals and books from all over the world—scanned by the Editors and staff every month. Often, however, items which come before their notice would be of great value to specialists, although not of sufficient general interest for presentation in our pages. Since this service was begun, in January, 1949, we have in fact been able to give help to readers in every part of the world, in Government departments, and in the principal universities.

Letters of inquiry should include stamped addressed envelope for reply and should be addressed to The Editors, Reader Service, The Economic Digest, 18 South Street, London, W.1

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The
ECONOMIC DIGEST

January 1950
Volume III
Number One

A HAPPY NEW YEAR ?

The Treasury's post-devaluation measures were condemned by leading financial journalists as completely inadequate. The judgment of an eminent tribunal is much less severe

Britain's 1950 Prospects

By C. F. CARTER & R. C. TRESS

THE economics of 1950 will be dominated by two great uncertainties: the effects of the devaluation of sterling, and the effects of the General Election on British policies. A third uncertainty lurks in the shadows, the possibility of a slump in the United States. In such times, a wise prophet keeps silent. Unfortunately, however, so much in contemporary debate turns on matters of degree and quantity that some attempt at estimation is unavoidable. This article is one such attempt.

The decision to devalue the pound brings out into the open three problems. Firstly, by turning the terms of trade against us, it leads directly to a reduction in real income. More of our production has to be earmarked for export. Secondly, if devaluation is effective in reducing our dollar deficit, it will in effect involve an increase in our overseas balance, and this "overseas investment," even if it takes the form of a repayment of sterling debt, must be matched by saving. Thirdly, the price rises created by devaluation tend to involve a redistribution of income away from labour, and therefore they encourage the already existing tendency for wages and prices to chase each other. We may summarize these as the Terms of Trade problem, the Savings problem, and the Redistribution problem respectively.

If we ignore the Savings problem (which is the crucial one from the point of view of policy) and fail to divert the income created by rising productivity towards exports, then the needs of export will be met only by driving up prices at home—that is, by an enforced cut of real incomes; and this cut will itself stimulate further price rises, because it will give rise to further wage demands. It is therefore very important that we should *either* increase the flow of saving *or* diminish the demands made by the rest of the economy on the existing flow.

From London and Cambridge Economic Service, Nov., 1949.

A redistribution of income in favour of profits itself tends to increase saving, for, as long as dividend limitation continues, the extra profits will remain undistributed or go in extra taxes to swell the Budget surplus. But on the other hand, the rise of prices tends to encourage dis-saving, or a lower rate of saving, by private individuals; for it is natural that anyone with accumulated savings in a liquid form, not clearly earmarked for some longer-term purpose, should be tempted to draw on them to maintain their standard of living or to buy durable goods ahead of requirements.

We cannot therefore rely on any considerable net increase in "voluntary" saving by businesses and individuals taken together. It would seem therefore that the solution of the Savings problem must lie largely in making a greater volume of savings available through the Budget or else in reducing the need for them.

Extent of Disinflation

This means disinflation; but before discussing possible policies, it is important to decide how far disinflation should be allowed to go. Obviously, the excess of purchasing power which has grown up since late 1948 should be eliminated. But ought we to go beyond that?

Some commentators would wish to go some way beyond that point, and are prepared to tolerate a modest increase in unemployment as the unavoidable accompaniment of their policy. To pursue "disinflation" thus far, it is contended, would not only prevent a new inflationary price rise; it would also increase the flow of wealth by giving both management and labour new incentives—for the one, the incentive to avoid financial losses, and for the other, the incentive to make sure of a continued job. It would restore elasticity to the economy, and, by attempting less, we might in the end achieve more.

On the other hand, the labour movement reacts very strongly against any mention of possible unemployment. There is need for clear thinking here. On the one hand, present levels of unemployment are possible only in a prosperous *and static* community; since we are bound to have considerable changes between industries in the next few years, we ought to expect transitional or "change of job" unemployment to rise—bringing the total to perhaps 500,000.

We do not wish to imply that unemployment necessarily increases industrial mobility, but that the necessary changes between industries will (whether we want it or not) be accompanied by some unemployment. The economy cannot remain petrified in its present state, and no political party ought to promise to maintain "present levels of employment." But on the other hand, unemployment of more than a million, though it might be effective in disciplining the British employer and worker, would of itself involve, not only a direct loss of production, but intolerable social injustice and suffering.

At this point, compromise might suggest an intermediate level, say 750,000, to which the economy might move to advantage. But, whatever the long term case for this may be, the short term results would be, we suggest, of quite a different character. It would probably take several months for this intermediate level to be reached and the short term results of low but rising unemployment (and even of the necessary increase in transitional unemployment) could be very damaging. Productivity would fall, as the volume of work was "spread over" as many men as possible; union strike funds, unused for many years, might be

brought into play; while, since the pre-condition of such unemployment is a fall in business sales, industry might well unite with labour, as has happened in the past, in bringing pressure on the Government to ease taxation and reverse the trend.

Moreover, even if this estimate of the results is disputed, it would still be realistic to see how far we might get whilst avoiding such a step. We do not believe that any political party is likely, in the year 1950, deliberately to pursue a policy of deflation to the extent which would produce such unemployment. A tentative deflation, creating some transitional unemployment while trying all the while to minimize it, is the strongest policy one can reasonably expect.

It is necessary to point out again that it is by no means certain that full employment will, in fact, be maintained throughout 1950. We are not, and cannot at present be, isolated from the immense economic bulk of the United States. A sudden slump there, by its repercussions on our other markets as well as its effect on direct dollar trade, would have a marked and rapid effect on our exports, and our means of internal adjustment are not so speedy, accurate and powerful that we could maintain full employment in such conditions. This vulnerability is a fundamental weakness at the present time.

Cripps' Programme Adequate ?

It is impossible at present to give any precise figures, but we would sum up the changes in the balance of savings and investment, as compared with the "equilibrium" of late 1948, in the adjoining tabulation the flow of private saving is assumed unchanged.

	£m.
Excess of inflationary demand already existing in 1949 (annual rate.........(say)	150
Diversion of extra exports to dollar countries—rate of flow over next year.........	100
Diversion of extra exports to non-dollar countries..	100
Amount to be found from alterations in the size or destination of the flow of production..	350
Effect of Government's programme :	
reduction in capital programme..........	140
net effect of reductions in Government current expenditure, after allowing for increases during October to March over original estimate ... ...(say)	60
Taxes and savings engendered by higher productivity..	100
Remaining to be found from further economies and reductions..................	50
	350

This table assumes, in effect, that 1949's increase of production has been absorbed in higher consumption, and that the failure of the Budget surplus to reach estimate, together with any volume increase over 1948 in the flow of capital formation, has created a new inflationary pressure, requiring economies of £150 million to offset it. The figures are so rough that we cannot take proper account of price changes, but we believe that they are broadly correct in suggesting that the Government's programme is, even by its own limited objective, somewhat, but not gravely, inadequate.

If the action already taken were moderately extended, and backed by a higher rate of interest and by evidence of Government determination, we might, in 1950, achieve a precarious balance without excessive encouragement to price and wage increases, and without more than reasonable transitional unemployment. This will not of itself stop the wage inflation, which has gone on continuously since 1939, but it might hold it within reasonable bounds.

Our appraisal of the dollar position of this country and of the Sterling Area is, perhaps, more optimistic than many who have given thought to it would allow. There are very large uncertainties here, and no-one would wish to phophesy with any confidence. We would point out, however, that our conclusion is not

dependent upon any extravagant expectations regarding export prospects, but rather the contrary.

We should expect dollar exports to be rising during the next 12 months, so that the ultimate level might be significantly higher than the amount we have taken credit for in the immediate period ahead. Given a firm hold on capital exports and the absence of a United States slump, the dollar position in the next year would appear, on our reckoning, to be just manageable. It cannot be too frequently stated, however: first, that, as long as our reserves remain in such a low state, even if we draw upon them no further, they are quite inadequate to secure us against any large decline in United States activity; and secondly, that any present precarious balance is only ours because of Marshall Aid, the closing date for which draws frighteningly near.

It is these facts which make decisions on the home front so important. We have not been blind to the difficulties facing the Government here, and are disposed to recognize more than many the importance of the fact that, in the latest decisions announced, psychological fences have been broken down and sacred cows have been slaughtered.

Two questions must, however, be asked. The Government has set itself the limited objective of removing the excess of demand over what is required to maintain the existing high level of employment. First, then, will the measures proposed achieve that? The right kind of decision has been taken; the direction is sound. But some of the new decisions will be dangerously slow in yielding their effects; and the nature of some others is such that, with the best of good will, confidence in their successful outcome cannot be rated high. Within the assumptions of the present policies, more needs to be done and can be done, as we have tried to show. But there is a second question: is the Government's objective a sufficient one?

Here there is room for disagreement between those who would seek to raise the amount of flexibility in the economic system and those who are firmly set against greater unemployment even as the accompaniment of this worthy purpose. In some degree, however, this dispute can be by-passed. As Marshall Aid runs out, new economies will be necessary unless we simultaneously cut down our overseas investment: it would be putting too heavy a trust in increased productivity to expect it to fill more than a part of the gap. Seeing that there are such long lags between Cabinet decision and the result, there is no danger of any restrictive policy being overdone.

Economic Research Council Lectures

Mr. Ernest Long will give an address at the meeting of the Economic Research Council, at 55, Park Lane, on Wednesday, January 4th, at 8 o'clock. He will deal with Local Government Finance, on which he is a front-rank expert.

On Wednesday, February 1, Mr. George Lawrence, Lecturer in Economics at University College, Hull, will speak on Food in Perspective: The Real Problems of Feeding Mankind.

Non-members will be welcome if they will send a note of their intention to be present to the Secretary, Economic Research Council, 18, South Street, London, W.1.

Cripps Crisis Policy Can Succeed If . . .

By G. D. N. WORSWICK

Lecturer in Economics and Fellow of Magdalen College, Oxford

. . . raw material supplies are maintained; incomes remain stable; inflationary pressure is controlled and the purpose of the exercise is clearly understood

THE real weakness of the Government's proposals so far is that, while they set the financial framework within which the increase in exports *could* come about, they have done little to see that it *will* come about. Devaluation will, of course, through the higher profits now to be obtained in dollar markets, have a considerable effect in pulling goods off the home market, and non-dollar export markets, towards the dollar markets. This is all to the good. In addition, however, steps must be taken that there shall be no restrictions in the supply of exports because of shortages of material or labour.

To take only one example: if clothing rationing had been reintroduced at once it would have been an earnest of the intention of the Government to make quite sure that all the textiles which can now be sold in U.S.A. and Canada will in fact be available. Unfortunately, the tone of the President of the Board of Trade in announcing that it would not be reintroduced suggests that there is no inclination to reverse the engines of decontrol. It is an illusion to think that because devaluation is an orthodox "price-mechanism" procedure, the need for direct controls is reduced. On the contrary, given the scale of the further switch to exports which balancing our payments requires the need for controls is intensified. Only in the case of building is the point recognized in the Prime Minister's statement.

If personal money incomes can be prevented from rising, the rise in the prices of goods from the dollar area will reduce real incomes. The real burden of the adjustment in the balance of payments will then be distributed according to the consumption of dollar imports by each individual. On the face of it there is a lot to be said for this. Unfortunately, this method alone will impose serious hardship in so far as dollar imports (*e.g.*, Canadian wheat) may represent a noticeable part of the expenditure of the poorest families. The fact that as a nation we must live less well does not mean that we must drive the poorest below a decent minimum. At the same time we must recognize that if we establish a minimum in real terms, the rest will have to suffer rather more from devaluation.

How can this be done? An increase in family allowances to keep pace with the rise in the price of necessities would seem to be the simplest device. Family allowances are more specific than subsidies to the prices of foodstuffs and other necessities. But they do not meet the

From Socialist Commentary, Dec., 1949, London.

point that trade unions are primarily concerned with the *wages* of their members and not in their total income, inclusive of social service benefits.

Some reduction in wage-earners' living standards is inevitable (though it remains an open question how much in relation to other income classes), so that to peg an index number of prices corresponding to the whole current expenditure of wage earners would be contradictory. A more limited budget should be worked out by the Government, in consultation with the unions, of necessities whose average price will be firmly pegged. The pegging of these prices will require both rigorous price control and the application of subsidies. This is the only firm base for a policy of holding the line in money wage increases.

Meeting Objections

It will be objected that, as subsidies increase, inflationary pressure will increase also. Of course this is true if nothing else were done. But something else must be done. The consumption of those above the minimum must be reduced by higher taxation to offset the increased pressure.

The time is getting very short for a move of this kind. Money wage rates have been moving only slowly for some time past, but once the dam begins to break under the pressure of rising prices it will be increasingly difficult to work out a rational basis for holding the line at all. The advantage of this technique over a sliding scale of family allowances, and, incidentally, of other cash benefits, is that we know exactly where we stand. This is the minimum below which no-one shall be allowed to fall. If cuts come, they must fall on those above it.

This is only one of the essential foundations of a wage policy. Devaluation makes it more than ever necessary to see that if any wage increases are to be allowed they must fit in with the export programme. A special problem is going to arise when the extremely high profits which devaluation entails for certain firms and industries become apparent.

It can be argued that if workers can share in these devaluation windfalls they should. That will attract more workers into the right places. That would be sound if only those workers who are engaged in exporting obtained increases. But trade union groupings are not neatly divided into home and export industries. The devaluation profits may provoke demands for increases over a very wide field. It is out of the question to try to tax away these profits: they are needed as a stimulus to firms to sell in the right places.

From this point of view the all-round increase in profits tax was very sound: it leaves unaffected the relative advantage of dollar over other markets. But something more could be done. Firms which sell both in dollar and home markets should be encouraged to reduce home prices to offset higher sterling prices on dollar markets. It is also worth considering a special export development levy which would fall as far as possible on the windfalls created by devaluation, the proceeds of which would be used to develop sales organizations and so on in the United States. A very large expansion of this kind is needed to increase and *maintain* a very much higher volume of export sales. A levy of this kind would also be the appropriate way of meeting the point that devaluation, which will hurt most people, very much benefits a few.

A subsistence minimum, holding

the line on money wages, the profits tax and an export development levy do not constitute a complete wage policy, but they are foundations.

There are no new economic rabbits to be pulled out of the hat to enable us to pay our way. All the rabbits have been out on the table for a long time. What has been missing, and still seems to be missing, is a clear idea of what to do with them. In fiscal policy we are slowly learning that *all* forms of expenditure must be regulated and firmly related to a programme. The point about the Health Service and the Defence Services is not simply that they cost too much, but that they do not seem to have been subject to the rigorous control applied in other sectors. It is not that all sorts of devices are not used to stimulate exports: they are. But they are not always acting in unison.

Finally, we must face the implications of the impossibility of *exact* prediction and planning in financial matters. The Government's policy here seems to be the right one, in part. We all agree that there has been inflationary pressure, and that there still is to some extent. What the Government is doing is to squeeze, but when in doubt to err on the side of too much rather than too little demand, to avoid creating unemployment. One cannot pursue this kind of fiscal and monetary policy *and* at the same time set about dismantling direct controls. There is as yet little indication that this lesson has been learned.

Why Overfull Employment is Uneconomic

By Professor A. C. PIGOU

When there is free competition, employers in any industry will tend to engage such a number of workpeople that the last man engaged is just about worth his wage. If, then, wage rates are forced up, the original last man will not be worth the higher wage. Therefore employers will reduce their staffs; therefore there will be less output; and therefore prices will rise.

But where an element of monopoly is present, or where monetary inflation has been pushing up prices so fast that wages have not been able to keep pace with them, it may well be that employers are paying a wage rate below what their last man is worth to them. In these conditions a rise in that rate within certain limits would not lead to fewer men being employed; and would not, therefore, entail reduced output or higher prices.

It is thus not possible to lay down any general rule about this matter. What is likely to happen to prices as a result of an increase in wages depends on the detailed circumstances. There is, however, one consideration of wider reach to which attention ought clearly to be paid.

When employment is over-full, in the sense that there are unfilled vacancies which, at current wage rates, employers would like to fill, there is a presumption that their last man is being paid something less than the whole of what his work is worth to them. In these conditions, therefore, it is to be expected that some rise in wage rates could be enforced without any consequential check to output or rise in prices. It does not, of course, follow from this that any specified rise in wage rates —£1 a week or whatever it may be— could be secured in this painless way.

From The Times, Nov. 25, 1949.

Co-operation *Can* Solve The Dollar Problem

By Professor DOUGLAS COPLAND

A short extract from Professor Copland's lecture (The Economic Digest, November last), advocating a plan for American investment in the British Dominions, aroused widespread interest. We now publish further extracts giving the context of those proposals

It is a mistake to make basic decisions on the policy to meet the dollar shortage without taking a much longer view of the prospects of the American economy than is normally done by the advocates of restriction.

A long-term view may well be less discouraging. We have seen in the past eight years how rapidly the American economy can expand, and there is no reason to suppose that the forces generating expansion have exhausted themselves. If the expansion of technique and the growth of population were to keep the rate of increase in output at about the level of 3 per cent. per annum, the dependence of U.S.A. on some essential imported materials would be greatly increased and the margin of foodstuffs available for export reduced.

This tendency would be greatly stimulated if the U.S.A. adopted a policy of social betterment involving large capital outlay in its own depressed areas, thus diverting its resources from a further expansion of export capacity in the existing export industries.

In the past few years there has been large-scale foreign investment by the Government, but it may be doubted whether in an economy with the high American standard of living there is sufficient public investment at home. One of the difficulties of American economic policy is that there is so much opposition to increasing the public debt.

Yet it can readily be shown that as a permanent solution of the dollar problem this type of investment is more appropriate than the foreign aid programmes of recent years, however necessary and beneficial they have been. It has the desired effect on the balance of payments, sustains the maximum rate of expansion in the American economy and is of direct benefit to the American people. Similar results would be obtained by the continued increase of private investment within the United States, but it may be doubted whether this is economically possible.

The only long-term policy that can have a real healing influence on the dollar problem is a more active public investment, and it is in this respect that the onus is on the United States to play an effective part in promoting a solution. This unfortunately runs counter to opinion in the United States, though it is likely that, in the event of a major depression, it would be the solution sought. If it has to await such an unfortunate development, great damage will be done by the restrictive policies that other countries will have to pursue and the leadership of the United States will suffer a reverse.

Correlative with this development in public investment in the United

States, there is need for an improvement in the facilities for foreign investment in the American money market, and a greater willingness on the part of private capital to assume risks abroad. Greater emphasis on public investment at home and on private investment abroad would provide a basis for an ultimate solution of the dollar problem, in so far as it is capable of solution in the United States itself.

The view that America must go on giving aid in some form if it is to maintain its export trade and a high level of activity is by no means true, and foreign countries would do well not to count upon any such pressure on the American economy. It is open to the United States to enjoy the fruits of its own public investment to a greater degree than hitherto and at the same time to increase the proportion of private investment abroad.

Avoiding Controversies

The latter would no doubt be more selective than public investment, and that might well have a beneficial effect upon the recipients of capital. It has, moreover, the advantage of giving some continuity to the process of foreign investment and avoiding the controversies that inevitably arise each time Congress has to make a new appropriation and each time a currency crisis arises in the United Kingdom or elsewhere. In such a background it would be possible for countries like Australia to assume the risk of borrowing in the United States, not only to solve their immediate exchange problems but as a long-term measure for expediting their own development.

As to American investment abroad, a general condition affecting both the borrowers and the lenders might be an agreement to raise the price of gold. The present official price of 35 dollars an ounce was fixed in 1934, and confirmed at the Bretton Woods Agreement, and since then there has been a very substantial rise in prices.

Gold Prices

It is a moot question whether, in the long term, the price level after the war can be held at a position that will avoid a strong deflationary movement unless there is an increase in the price and output of gold. At the moment there are already at least three prices for gold in the world: the first is the official price; the second is the price paid, also officially, for gold used for industrial purposes (it is not quite clear what this price actually is, but it is not less than 40 dollars per ounce and as high as 48 dollars); finally, there is the price in the free market in the East, which may be anything from 50 to 80 dollars.

Meanwhile, world production has fallen from 41 million ounces in 1940 to 27.8 million ounces in 1948. There was a slight recovery after the war from an output in 1945 of 26.5 million ounces. An increase in the official price of gold to, say, 50 dollars an ounce would represent a rise of a little more than 40 per cent. and would bring gold more closely into relationship with the level of prices that might prevail after the world has completed its post-war adjustments.

The United States may object that this could only be regarded as a concealed dollar contribution to the world, similar to Marshall Aid, U.N.R.R.A., and Lend-Lease. The United States is the main purchaser of gold, and the burden of a higher price would fall on it. But it would not be the main purchaser of gold if the dollar problem were solved. It follows that any solution would result in a much more balanced dis-

tribution of gold stocks than prevails at the moment.

If we assume that the United States purchases 60 per cent. of the world's annual gold production, say 17 million ounces, the increase of 15 dollars per ounce in price would be a net contribution of over 250 million dollars. It would not, therefore, be a decisive factor in itself, but the repercussion of the higher price of gold would have important effects, particularly on the countries which I have assumed might become more active dollar borrowers.

Pensions for Strikers

AMID the feelings of relief that widespread factory shut-downs seem to have been averted, it is now appropriate to ask, at what cost? The central issue in disputes over pensions is how old age shall be provided for. The questions raised are thorny, and not merely technical in nature. What is an adequate pension? What do pensions cost and who bears the cost?

In all the discussion provoked by the strikes, the matter least emphasized has been the fact that pension payments are an item of costs and a charge upon the productive system. More and more they are viewed as a necessary and desirable charge, and in these days of high taxes they are often a more attractive form of compensation than wage or salary increases. But the change of form does not disguise the fact that the pension payments are equivalent to a fourth round wage increase, and raise costs similarly.

What is the effect of the cost increases in raising prices, and reducing real wages? What about the people who do not get the pensions, but have to pay the higher prices? If large and strong companies can absorb higher costs without raising prices, what about the smaller and weaker companies? Should pensions be assured, by payments coming nominally from the employer alone, in amounts which will weaken incentive of workers to get ahead and save on their own?

These questions become more acute as pension systems spread and benefits are raised. For if incentive is weakened effort and productivity will be weakened also. How much can the productive system be burdened?

From Monthly Letter, National City Bank of New York, Nov., 1949.

EIRE CUTTING ITS STERLING THROAT ?

Mr. J. A. Costello, Prime Minister of Eire has outlined a new, and in some respects revolutionary financial policy for Eire which he said would lead to a gradual but eventual substantial withdrawal of Eire's sterling assets amounting to a net £225 million now held in Britain. He said that it would not be possible on a national income of £330 millions to finance the capital outlay Eire required from current resources, but the Government was satisfied that the need for development was so great that they would be fully justified in drawing on part of the national savings to finance it. They had sterling assets of gross value of about £400 millions, about 40 per cent. being in private hands. The net total was about £225 millions. The extent to which these assets could be transferred was limited, but in the past 10 years their value had diminished, and recent experience had taught that a particular level of foreign assets was no longer sacrosanct.

Americans Still Shy of Overseas Investment

The "Point Four" programme cannot assume great importance without a big flow of private capital. The money will not be forthcoming without better prospects of safety and profit

SELDOM has the country embarked on a course of action apparently so little understood by most of its citizens as the "bold new programme" announced by the President in his inaugural address as "Point Four" of his foreign policy. Even now, after two Presidential pronouncements, numerous statements by other Federal officials, and months of private discussion, the nature of the plan remains somewhat obscure.

Gradually, however, certain essential points are gaining recognition in governmental and private circles: that technical and financial aid from the United States in economic development abroad could be highly beneficial, not only by promoting industrial progress in under-developed areas but also by helping to correct the present unbalanced condition of international trade; that such aid can be extended on a large scale only in the form of private investment; and that private investment can take place only to the extent that foreign countries succeed in creating and maintaining internal conditions much more favourable to such investment than have prevailed in recent years.

The fact seems to be that no one has any definite conception of the probable magnitude of this phase of the programme or of whether and how it can be made to work. It is recognized that the backward areas of the world offer a vast field of economic development, but the problem of creating the conditions essential to such development has not moved far toward solution.

The discussions of recent months have, however, brought out a few essential truths, the most important of which is that the programme cannot be expected to assume a position of great importance without a large scale flow of private capital. Technical progress and capital investment go hand in hand; and, except within very narrow limits, neither is possible without the other. Governments can, of course, exchange some valuable information on public health, education, agricultural methods and other matters of public concern; but even in these fields the actual adoption of improved techniques will in most cases require large sums of money. And a general rise in standards of living through the economic development of retarded areas will require a great deal more.

The United States Government is not in a position to make large new commitments for financial aid to foreign countries, even were such commitments desirable on other than fiscal grounds. The Government is already extending financial assistance abroad on a scale unprecedented in time of peace. Partly as a result of that assistance, the people of the United States are carry-

From The Guaranty Survey, Guaranty Trust Company of New York, Sept. 30, 1949.

ing a tax burden that threatens to impair their capacity to produce, and the Federal Treasury faces the disquieting prospect of a series of heavy annual budgetary deficits in a period of active business and large tax receipts.

In its debates on appropriations for the Marshall plan and for military aid under the North Atlantic treaty, Congress has shown increasing signs of resuming the almost forgotten practice of thinking in terms of what our Government can and cannot afford. It seems extremely doubtful that sufficient funds to finance a large new programme of foreign economic development will be appropriated, even if sought by the Administration.

Private Capital Essential

The conclusion is inescapable that only private capital can give adequate and satisfactory financial implementation to the "Point Four" programme. Such capital is available in large amounts, but only on condition that investors can be offered much stronger prospects of safety and profit in foreign countries than exist at present.

This is primarily a problem to be solved by the foreign countries themselves, although our own Government can help by continuing and intensifying its efforts to remove trade barriers, by negotiating bilateral agreements to correct the conditions and practices that now prevent large-scale foreign investment, and by examining its own tax rates and security regulations that tend to discourage capital, especially equity capital.

The President has listed some of the major existing hazards to international investment: expropriation, unfair or discriminatory treatment, inconvertibility of currencies, and destruction through war or rebellion. The first two of these are within the control of government; they can be eliminated if the will to eliminate them is present.

The inconvertibility of currencies presents a more difficult problem, but it can be accomplished gradually by the adoption of realistic exchange rates, combined with a return to sound fiscal and monetary practices. The risk of destruction through war or rebellion is primarily a political hazard, the seriousness of which varies in different parts of the world. Another risk that is closely related to it is the risk of change in national policies through successful rebellion. No assurance against any of these risks can be stronger or more lasting than the government that gives it.

The causes of these hazards lie deep in the conditions and habits of thought that have become prevalent in the post-war world. Nationalism and "statism" form a combination that is actively inimical to international private investment. Many of the countries that could benefit by such investment apparently do not wish it to take place.

Political Problems

This attitude is reflected in a report issued in December, 1947, by a sub-commission of the Economic and Social Council of the United Nations, which declared that "in practice the foreign investor has, as a matter of course, been more concerned with profits than with the scientific conservation and utilization of the resources of the country in which he operates his investment" and that "in the least-developed countries, private or government loans and credits are preferable and should be encouraged instead of direct private investments in view of the special danger of direct foreign investments interfering in the political and economic affairs of those countries."

Progress to Date

To encourage the flow of United States capital into ERP countries and their overseas territories, Congress during the quarter April 3 to June 30, 1949, amended the Economic Co-operation Act to broaden the scope of guarantees of currency convertibility. Under the previous legislation, ECA guarantees covered only the conversion of foreign currency receipts into dollars up to the amount invested by the applicant. The revised legislation increased the permissible limit for guarantees to cover, in addition, conversion of actual earnings or profits derived from investments to the extent provided in the guaranty contracts.

During the quarter under review, guarantees issued amounted to $969,190—the bulk for informational media—bringing the total since the inception of the programme to $4.6 million. On June 30, applications filed and pending totalled $15.3 million.

Only two contracts for industrial guarantees, aggregating $65,000, were concluded during the quarter, reflecting the relative lack of interest of American capital in European investments. One contract involved an investment of $45,000 in the United Kingdom by a company manufacturing and supplying metal-spraying equipment. The other covered a $20,000 project of an American business man who will establish a stone-cutting yard in Italy, shipping the stones to Philadelphia for use in the construction of small homes.

By the close of the quarter industrial guarantees for $2.7 million had been issued. Applications for $11.7 million were pending.

From E.C.A.'s Fifth Report to Congress, Nov. 15, 1949.

India Wants Show-down with America

Many people in India believe sincerely that the United States is pressing too hard a deal. What is happening about the trading of surplus wheat on reasonable terms? What specific shape has Point Four taken so far as India is concerned? What assistance does the United States really intend to give in its scheme, often enough proclaimed, of giving help to under-developed areas?

People in India are asking these questions, and, if our improved relations are to be sustained, some prompt answer must be given from the American side. If no assistance is proposed to be given, let this be said boldly, so that the professions of aid may be known for what they are worth. If there is any failing on our side which is preventing this aid, let that, too, be known so that the people of India may see their faults.

On November 16, Indonesia received $37.5 million of Marshall Aid from the Economic Co-operation Administration; this is not possibly the end of aid to Indonesia. Congress has accepted the principle of aid in the East. Why has the simpler process of allowing India to obtain surplus wheat, unsaleable in the United States, to encounter obstacles and delay?

From The Eastern Economist, Nov. 18, 1949.

What's Happening to Income-Taxation?

By Professor FRITZ NEUMARK
Istanbul

Here are the latest developments in the technique of income tax, including the special case of capital gains and losses

INCOME tax holds nowadays a predominant position in the taxation system of almost all countries. There are three reasons for this. First, it is an extraordinarily productive and elastic source of revenue. Secondly, it can easily be adapted to the individual taxpayer's ability to pay. Thirdly, it can be used for the realization of aims of general economic policy, *e.g.*, the equalization of incomes.

In recent decades its importance has further increased. At the same time it has undergone changes in scope and technique. Simultaneously a certain degree of assimilation has taken place between the various national types of income taxation and methods of assessment. Particularly in Britain and the United States, but also in a number of other countries income tax provides a larger proportion of total revenue than before the war. France and Italy are exceptions; but France has introduced a fundamental reform of its income tax system this year and in Italy a reform is being planned.

Generally it has been the experience that no other tax can provide such increases of revenue in times of war as income tax. Admittedly during a slump the yield falls. This was considered a disadvantage so long as an annual balancing of the budget was attempted. According to modern theory, this flexibility of income tax is rather regarded as an advantage.

The author shows how the rates of income tax reached a "confiscatory" level not only in Britain, but also in other countries. Since the war small reductions have been made in all countries. These have brought alleviation only to the lower income groups. There are three reasons for this: First, the maintenance of high military expenditure; secondly, expenditure for social welfare and nationalization requires increased revenue; thirdly, high taxation is maintained, especially in Britain as a means of "counter-inflationary" policy. As a result, the share of income tax in total national income has nearly doubled in most European countries and has also led to a levelling of incomes, especially in Sweden and Britain.

Income tax can never be levied on all incomes, since only the part of income which exceeds a minimum level (however this may be fixed) is suitable for taxation according to the prevailing theory. Only in a few countries (*e.g.*, Germany and a number of Swiss cantons) was the incidence of personal income tax

Translated and condensed by Dr. Martin Gotz from Weltwirtschaftliches Archiv, Hamburg, Volume 63, No. 1, 1949

relatively wide, even in the 1920's.

In the first World War, and even more in the second, the incidence of personal income tax was greatly extended through a reduction of the tax-free limits and family allowances. A certain reversal of this trend has taken place since the end of the last war, but it can be assumed that in future a larger part of the private incomes and of income earners will be subject to taxation than between the wars. This applies in any case to times of full employment, but it can be expected that during depressions — contrary to the policy assumed in the 1930's—personal allowances will be increased in order to stimulate consumption.

The scope of income tax is settled by the definition of taxable income. Here there is an international trend towards extension. Thus in many countries where interest on state loans used to be tax free, it is now increasingly liable to taxation. Further the concept of income is no longer limited to recurrent receipts.

In the U.S.A. about 20 million people are subject to income tax, seven times more than before the war. In 1938 income and corporation tax accounted for about 3 per cent. of total personal income, but in 1948 for about 14 per cent. A similar development took place in Britain, as is well known.

The former concept of income as "recurrent receipts" has been largely replaced by a wider conception. The old concept was the basis of the Prussian income tax act of 1891, whereas the German income tax act of 1920 extended the scope of the term. This also is an international trend. The contrast between the old and new approach is shown in the treatment of occasional receipts and "capital gains." There can be no doubt that income tax legislation cannot ask in principle whether receipts are recurrent or not, if it aims at the individuals' ability to pay tax. This explains why in Germany, Holland, U.S.A. and Switzerland there has been a tendency since the first war to treat gains from speculation, etc., as taxable income.

Taxation of Capital Gains

In the case of speculation, taxability does not depend on subjective intentions, but on the objective period of time between buying and selling. Even in France, legislation has adopted this modern concept.

In Britain, on the other hand, theory and practice maintain the old concept. This leads to difficulties for the inland revenue since, especially within the scope of surtax, attempts are being made to let taxable income from capital appear as tax-free capital gains.

If capital gains are included in income, two problems remain controversial: first, whether such gains are to be added to the other income and to be taxed at the same rate, or whether a special taxation is preferable; secondly, how far losses, especially "net capital losses" may be deducted. American practice has adopted different solutions at different times. At present short term and long term gains and losses are distinguished. The first relate to transactions within six months; in this case capital gains and losses are treated like other income gains and losses. In all other cases, only one-half of capital gains and losses are taken into consideration. A compensation of "net capital losses" (capital losses minus capital gains) with the remaining income is limited to $1,000; but in certain circumstances such net losses may be carried over into the following year.

In Switzerland capital gains including lottery gains are also taxed.

Belgium has now similar provisions.

In most countries nowadays, the household, not the individual, is taxed—*e.g.*, in Germany, France, Britain, Italy and Switzerland. In the United States this principle has not been accepted; special provisions are also made in Turkey.

As for the technique of taxation, there is a renewed tendency for "averaging" over several years. Also the method of "stoppage at source" has been widely adopted. In Germany as early as the beginning of the 1920's a technique similar to P.A.Y.E. was adopted. Little notice was taken of this development in other countries—*e.g.*, in Britain, France, the U.S.A., and the Netherlands—where, however, it was applied after 1939. It became necessary to take immediate advantage, for tax revenue purposes, of the increased salaries, and not after a lag of a year, and to make increased rates of taxation effective at once.

Deduction at source involves an important technical difficulty (at least if there are progressive rates of taxation and a system of personal allowances): there are in many cases over-payments which require adjustments. This can lead to such complications that—as in Germany in 1931—adjustments had to be stopped: they have been reintroduced only recently.

Deduction at source is applied not only to wages, but also to dividends, etc. This is the practice in Germany, Britain, France, Holland, Turkey among others—but not in the United States.

In addition to deduction at the source, Germany has also for a long time used a system of payments in advance of the assessment. Adjustment takes place after the assessment. Payments in advance have been introduced in many countries, e.g., France, Holland and the United States. There is no doubt that this development is not only advantageous to the State, but also to the individual taxpayer.

Where The Shoppers' Money Goes

A group of U.S.A.'s 100 largest retail trade corporations, based upon volume of sales reported for the 1948 calendar or nearest fiscal year, shows a combined total of sales exceeding $19 billion. Despite the fact that their sales more than trebled during the past 10 years, they still represent about the same proportion, around 15 per cent. of the national totals, which according to the Department of Commerce expanded from $38 billion in 1938 to $130 billion in 1948. An important factor in the increase of dollar sales was, of course, the general inflation in incomes and prices. The rise in average retail prices amounted to 91 per cent. over the period.

On the $19 billion of sales last year by the 100 largest organizations, the average net profit was 3½ cents per sales dollar. The average for 18 food chains was 1.3 cents, for 25 variety and other chains 5.1 cents, for 52 department and specialty stores 4.1 cents, and for 5 mail order houses 5.6 cents.

Of this overall average profit of 3½ cents, 1½ cents was distributed in preferred and common dividends, while 2 cents was reinvested for improvements and additions to store properties and equipment, and for building up working capital to handle the increased dollar volume of business.

From Monthly Letter, National City Bank of New York, Nov., 1949.

Making P.A.Y.E. Productive

By Sir HERBERT WILLIAMS

Pay As You Earn frustrates productive effort. A leader of the Conservative Party proposes changes that will restore incentives and yet maintain revenue

PAY-AS-YOU-EARN was introduced because the ordinary weekly wage-earner was naturally embarrassed when once every six months he received a big income tax demand for which he had not made provision in the spending of his weekly income.

Under the present P.A.Y.E. scheme if, for example, a man has earned £200 for 20 weeks' work, his assessment up to that date assumes that he will earn £520 in the year. Thus the amount debited that week is 20/52 of the tax which would be due on the annual income of £520, less of course the amount he has paid during the previous 19 weeks. If for any reason he earns nothing during the next week it will have the effect of reducing his expected annual income from £520 to just over £495, which means he is overtaxed up to the end of the twenty-first week, and is entitled to a refund.

If a person earns an exceptional amount in one week, either because of piecework or overtime, the amount available generally attracts the highest rate of taxation: in effect this is 7s. 2½d. in the £, because the earned income allowance of one-fifth is deducted from the income before the standard rate of 9s. is applied.

This high rate of taxation acts as a deterrent to production, and it is necessary to find out how it can be removed.

The Finance Act of 1948 eased the situation by increasing the amount of the earned income relief, and by providing that the reduced rate of 6s. in the £ should be applied to £200, instead of £75, of the taxable income. The present situation is that one-fifth is deducted from earnings, and then the first £50 of taxable income is taxed at the rate of 3s., the next £200 at 6s. and the remainder at 9s. In addition, of course, there are the personal deductions from the income—£110 for the single person, another £70 for the married man, and £60 for each child of school age.

The proposal I make is to base the

From an Address to the Economic Research Council, London,

taxation on a weekly, instead of an annual assessment. A simple adjustment of this kind might create considerable injustice because people would not get any refund for the weeks in which they earned little or nothing. To avoid this, I have assumed an average loss of time of about 10 per cent. per annum through all causes, and I have adjusted the various personal allowances and the rate of tax so that all the people whose experience fits in with this 10 per cent. loss will be in exactly the same position as they are to-day. Those who lose less time will be a little better off, and those who lose more will be rather worse off.

My proposal is to abolish the earned income allowance and to make the personal allowances approximately as follows: a single person £160, wife £120, and each child £80. All taxable income should be taxed at a flat rate of 4s. in the £. I am convinced that the reduction of the present 7s. 2½d. to 4s. would at once have the most heartening effect on the attitude of the weekly wage-earner, especially in regard to piecework and overtime earnings.

In existing circumstances my scheme would yield approximately the same revenue to the Exchequer as the present practice. If it stimulated production, as I believe it would, then the Exchequer would get 4s. in the £ in respect of that increased production, and the total yield to the Exchequer would be higher despite the lower rate of tax.

Administratively, the scheme would be easy to handle. No assessment burden would fall on the Inspectors of Taxes, but from time to time they would have to examine the employers' books to make sure that the appropriate amounts were deducted from the employees and sent to the Exchequer.

Comparison of annual tax payment under present P.A.Y.E. scheme . . .

Total Actual Income	£300			£400			£500		
	£	s.	d.	£	s.	d.	£	s.	d.
Single Person	31	10	0	55	10	0	85	15	0
Married Couple	10	10	0	34	10	0	58	10	0
Married Couple, one child	nil			16	10	0	40	10	0
Married Couple, two children	nil			3	0	0	22	10	0
Married Couple three children	nil			nil			6	0	0

. . . and under proposed new P.A.Y.E. scheme.

Total National Income	£300			£440			£550		
	£	s.	d.	£	s.	d.	£	s.	d.
Single Person	34	16	0	58	16	0	78	16	0
Married Couple	13	8	0	33	8	0	55	8	0
Married Couple one child	nil			15	4	0	37	4	0
Married Couple two children	nil			nil			21	12	0
Married Couple three children	nil			nil			6	0	0

Proposed revised allowances

Personal Allowances per week				Annual equivalent
	£	s.	d.	£
Single Person	3	0	0	156
Married Couple	5	5	0	273
Married Couple, 1 child	7	0	0	364
Married Couple, 2 children	8	10	0	442
Married Couple, 3 ,,	10	0	0	520

All taxable income charged at 4/- in the £. Each week stands by itself.

The allowances which I have suggested are on an annual basis, but would be converted to a weekly basis. I would suggest the following round figures, which should be deducted from the weekly earnings before there is any question of tax liability: a single person, £3 a week; a married couple without children of school age, £5 6s.; a couple with one child of school age, £6 18s.; with two children, £8 10s.; and with three children, £10 2s.

Wanted—
Royal Commission on Taxation

By S. JOHN PEARS, F.C.A.

I STRONGLY advocate the appointment of a further Royal Commission with the widest possible terms of reference, including *inter alia* the following:

(1) Re-examination of the fundamental principles of taxation and how the burden can best be borne by the community.

(2) The relationship of direct and indirect taxation and whether a decrease in the former and an increase in the latter would be desirable.

(3) The question of the desirability or otherwise of making indirect taxation more progressive.

(4) Re-examination of the principles upon which P.A.Y.E. is based.

(5) Inquiry into the effect of high sur tax and excessive death duties on productivity and the supply of capital for industry.

(6) The question as to whether businesses should be assessed as such or whether taxation should be based only on the individual according to his capacity to pay.

(7) The special position of the nationalized industries in relation to taxation.

(8) The re-examination of profits tax and, if it is to be continued, the treatment of preference dividends.

(9) Re-examination of the administrative machinery for the assessment and collection of taxes.

(10) The possibility of using taxation as a means of encouragement to foreign capital on fair terms. This may be of paramount importance when Marshall Aid comes to an end.

(11) The use of taxation as an encouragement to British industry in overseas enterprises.

(12) The possibility of differential taxation on exports to hard currency areas.

(13) Whether alleviation of taxation should be granted on profits ploughed back into industry and the professions.

(14) Encouragement of thrift.

(15) Re-examination of various statutory exemptions from taxation. (Their elimination was recommended by the 1920 Royal Commission but certain of them still exist.)

(16) The question as to what reliefs, if any, should be given to businesses to offset the effects of inflation.

As regards the last item I hope the present committee will be able to make some recommendation, as the point is of greatest urgency and should not await the appointment of another committee.

From Autumnal Conference, Institute of Chartered Accountants, Harrogate, Oct., 1949.

Correction: In the November number of *The Economic Digest*, page 699, the last figure in the last column should be £38 m., not £48 m. In the December number, the author of the article presented as " A Danish View of Restoring the Value of Money "—Jorgen Pedersen—was omitted through oversight.

Wage Levels After Two Wars

By E. H. PHELPS BROWN, M.B.E.
Professor of the Economics of Labour, London University

Wages are up but what about earnings? How will devaluation affect wages and wage differentials? Are Britain's wage costs competitive?

After the first World War the average wage-rate was about two and two-third times what it had been when the war began, but fell fast and far after 1920. From 1938 to 1946 the rise was less than 70 per cent, but, in contrast, continued to rise.

On the question whether the price of labour has risen more or risen less than prices in general, Professor R. G. D. Allen's estimate is accepted that the rise in the wage-earners' cost of living was just under 80 per cent. The average wage-level has risen rather less than the prices of manufacturers but by at least as much as the prices of consumables.

If our interest is in the *earnings* of the worker, wage-rates are only a partial guide; there are substantial reasons why their course may diverge from that of earnings. The chief of these is that an index of wage-rates is likely to be made with fixed weights, whereas in practice the relative numbers of workers in different kinds of job are usually changing, and those in the better-paid jobs tend to grow in numbers relatively to the lower-paid.

This upgrading of the average worker has been in the past an important influence on the standard of living of the wage-earners, which it would have raised substantially even if the real rate for every job had stayed the same. The other main source of divergence is that the wage-rate is taken for a normal week, whereas the actual week worked may contain short time or overtime, and the earnings of piece-workers may exceed their basic time-rates.

These factors have been at work to bring about a markedly greater rise in average earnings than in the average wage-rate; in the Ministry of Labour sample, mostly of manufacturing industries, of last April, the average earnings of men were more than double those of 1938, and those of all workers were up by 124 per cent. If we take money earnings as they stand, without adjustment for taxes on the one hand or social benefits on the other, and compare them with the rise in the cost of living, we find a substantial rise in their power to command the goods which wage-earners buy, a rise of over 10 per cent. for the men, and of nearly 25 per cent. for the average of all workers.

Similarly from 1914 to 1924, earnings rose more than wage rates, and brought an increased command of consumables, but in less degree, for then the gain of all wage-earners together was no more than that for the men to-day, and the men themselves gained only half as much then as they have done now.

The normal weekly hours are part of the wage-bargain, no less than the rate of pay. In 1914 five and

From Westminster Bank Review, London, Nov., 1949.

a half days of 10 hours might be taken as representative. After the war a normal working week of from 44—48 hours became usual. This time the change in actual working hours has not been nearly so big. For workers of all kinds taken together the average hours worked were 46.5 in 1938 and 45.3 in April, 1949.

Whether or not there is at present a persistent tendency to lower differentials, the Second World War did bring another sharp move in that direction. Whereas the inquiry of last April showed the average earnings of men, within the field of inquiry, as 103 per cent. above their pre-war level, those of youths and boys were up by 124 per cent., those of women by 137 per cent., and those of girls by 172 per cent. In engineering, it is estimated that before the war the average woman's piece-rate was little more than half that of a semi-skilled man, but by 1946 it had risen to over two-thirds of it.

It is against this background that the endeavour of the men's unions to maintain differentials must be viewed. One of the interpretations under which the General Council of the Trades Union Congress accepted the principles of the White Paper on Personal Incomes in February, 1948, was that they "recognize the need to safeguard those wage differentials which are an essential element in the wages structure of many important industries and are required to sustain those standards of craftsmanship, training and experience that contribute directly to industrial efficiency and higher productivity." The stand for differentials now comes into conflict with the wish of the Government to make up the cost of devaluation to the lowest paid, without raising rates generally; but it is a rearguard action, likely to be maintained with some tenacity by those conscious of ground already lost; and regard for status as well as for shillings and pence enters into it strongly. Yet if social changes are increasing the supply of young folk capable of training, and technical changes are reducing the relative demand for at least some kinds of skill, it seems a losing battle in the long run.

Professor Brown makes it plain that there are various difficulties in making exact comparisons. "Yet when all these things have been said, it remains true that any marked divergence between the movements of money wage rates in two countries does suggest what kind of change there has been in the relation between their unit costs, unless we can show that the changes in productivity or in other factor prices meanwhile have had a very different effect. Alternatively, if we know that at the end of some course of change two countries are able to meet each other on price, any gap that has opened meanwhile between their wage-rates must have been compensated by some other change, and the most likely form of this is a divergence in productivity.

"Where there does seem to have been a shift in relative money costs, the question arises whether this has been offset by changes in exchange rates."

	Estimated change in average wage-rate (hourly or weekly) expressed in terms of current command of U.S. dollars	
	through World War I	through World War II
	Pre-war year = 100	
Germany	135	89(a)
France	137	—(b)
United Kingdom	194	103
Belgium	170	244
Sweden	245	145
U.S.A.	226	224

(a) Bizone only.
(b) Comparable wage data not yet avialable.

"In 1925 the United Kingdom seems to have been paying wage rates that, in terms of dollars, stood

definitely higher above their pre-war level than those of the other European countries here, except Sweden, which was continuing its rapid industrial development. To-day, on the contrary, British rates in terms of dollars are about the same as before the war, whereas Belgian and Swedish rates at least have risen more. If the data for the Bizone of Western Germany are adequate, the reduction of relative dollar wage rates has been even greater there than in the United Kingdom.

Wages and Productivity

"In both periods the American wage rate more than doubled, and only Sweden in the first period and Belgium in the second show a change of that magnitude. If other countries raised their wage rates in terms of dollars much less than the United States, and these movements were roughly representative of changes in factor prices generally, then either their competitive power in neutral markets was raised, or else the downward divergence of their rates was offset by a downward divergence of their productivity. Some evidence—again imperfect and incomplete—of changes in productivity is provided by the course of real wages. Ideally, we should take the purchasing power of average earnings, but for lack of sufficient figures for those, we may take the purchasing power of the hourly or weekly rate as an approximation. We shall try to give it in terms both of the kind of goods wage earners buy, and of their own home products, that is, of the products of manufacturing industry in their country. Combining these estimates with those already given we get the following table.

	Through World War I Change in average wage-rate in terms of current command of:			Through World War II Change in average wage-rate in terms of current command of:		
	Consumption goods	Mfrd. products	U.S. dollars	Consumption goods	Mfrd. products	U.S. dollars
	(Pre-war year = 100)			(Pre-war year = 100)		
Germany	95	86	135	94(a)	—	89(a)
France...	117	99	137	—	—	—
U.K.......	110	101	194	101	91	103
Belgium..	134	129	170	117	112	244
Sweden..	139	142	245	124	100	145
U.S.A.....	128	148	226	132	117	224

(a) Bizone only.

"Here in the first period, and probably also in the second, the three major European belligerents stand together, as having hardly raised the real wage rate above its pre-war level. Belgium and Sweden did better than these, clearly so in the first period, probably so in the second. The United States showed the biggest rise in both periods, but not by so wide a margin in the second. These three levels of the real wage rate correspond roughly with three levels of the dollar wage rate: in both periods, that is to say, it looks as if the tendency had been to raise the dollar price of labour in all countries, but to raise it more in those which had made the greater advances in output a head. But the United Kingdom stands somewhat apart from this relation: in 1925, because its dollar wage rate was higher than the indications of its productivity seem to justify, and in 1949, though the picture here is not so clear, because its unraised dollar wage rate seems rather lower than might be expected to go with its sustained level of output a head. At least it seems clear that, so far as sales of exports depend on price, our ability to expand them should be greater now than it was in 1925."

Living Costs May Rise Above Wage-Freeze Limit

A summary of the estimates by R. G. D. Allen, of the London and Cambridge Economic Service, with comments by the Financial Editor of the Manchester Guardian

WILL the cost of living rise by six points before January, 1951? The General Council of the Trades Union Congress has asked the unions not to press for wage increases unless this happens.

In the November *Bulletin* of the London and Cambridge Economic Service Mr. R. G. D. Allen suggests that there will be a rise in the Ministry of Labour's cost-of-living index of at least 3 per cent. by the end of the year, and of 5 per cent. or more by next spring: there is likely, he says, to be a rising tendency for a considerable time after that.

Mr. Allen calculates that if there is no change in the sources of Britain's imports, the average rise in the price of imported goods will be about 15 per cent. In the middle of this year the proportion of people's income spent on imported goods was about 20 per cent. Workers, according to the list of goods used in calculating the Ministry of Labour's retail price index, spend 22 per cent. of their wages on goods from abroad. The direct effect of devaluation will therefore be to increase the workers' cost of living by 3.3 per cent., raising the index from 112 to 115½.

In making this calculation, Mr. Allen assumes that the only change which will take place as the result of devaluation is an increase in the sterling price of imports from countries which have not devalued. For the sake of clarity, it is supposed that the cost of goods and services produced wholly in Britain will remain unchanged. With the increased cost of raw materials and the probability that at least some wages will rise, this is hardly a probable assumption.

Mr. Allen points out himself that his estimate is certainly too low. Some factors may be expected to lessen the rise in the cost of living, but "the factors operating in the other direction are likely to predominate." A few imports from America may become cheaper in terms of dollars. More imports may be switched from hard to soft currency sources. The Government may impose more cuts on retail margins.

Six Months to Go ?

On the other hand, many goods imported from non-devaluing countries have become dearer, such as metals, cotton, wool and rubber. Food subsidies may be reduced proportionately if consumption is allowed to increase. Above all, Mr. Allen says, costs and prices inside Britain will inevitably rise if inflationary conditions persist. According to Mr. Allen's calculations, the limit of a six-point rise in the cost-of-living index may well be passed within six months or less.

From London and Cambridge Economic Service, Nov., 1949 ; The Manchester Guardian, Nov. 22, 1949.

WORKERS' STATUS

"The Hardening Crust of Cynicism"

It is not enough merely to oppose workers' control of nationalised industries; an understanding conception of what Labour is striving for is needed in the field of industrial organization

THE nationalization measures of the Labour Government have had a result which was not altogether unexpected—they have revived the demand for more "workers' control" within the trade union movement.

In the minds of the workers nationalization was associated mainly with two ideas: getting rid of their present "bosses" and immediately improving their own conditions by cutting out the burden of private profits.

They now discover that to a large extent the same managers as in the bad old days are running the show in the nationalized industries. They are finding, too, that wage increases and shortened hours, so ardently longed for, have not materialized like rabbits from the conjurer's hat, but will depend on increased productivity and perhaps even harder work. Faced with this rather bleak reality, there is naturally a strong temptation for the workers to fall back on the old propaganda slogans which promised them a magic cure for their ills.

The main point can be put quite briefly: the public boards may sometimes prove to be harder bargainers than the private capitalist group. Over and above general obstacles in the way of good relations, a host of other criticisms are raised against the boards.

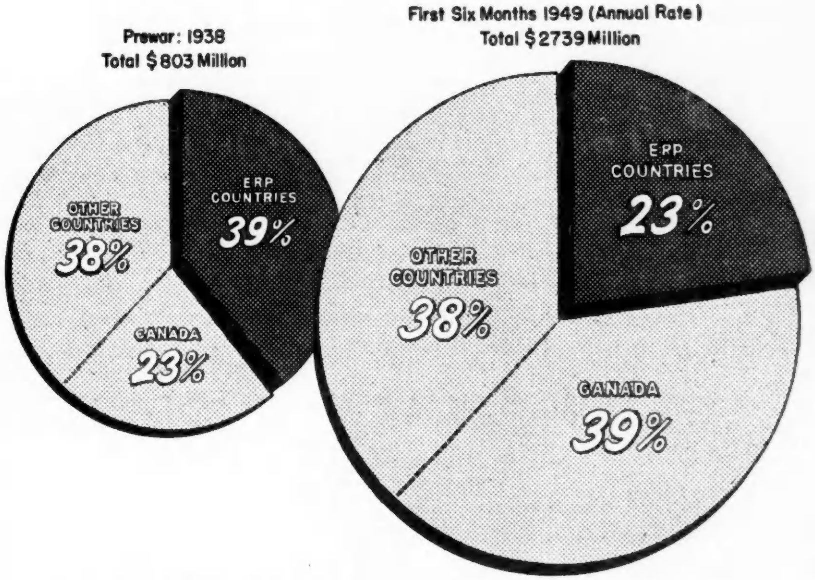
They are too remote; their members are paid too much; there is insufficient decentralization; there are inadequate opportunities for promotion. These are a few of the many organizational posers about which something will have to be done; but none of them get to the real root of the dissatisfaction which leads to this demand for direct trade union representation. At bottom there is the simple feeling that the workers' interests are being subordinated to those of "the public," and they are not convinced that this should be so.

It is possible to attack the idea of "workers' control" on several grounds: that control over publicly-owned industries should be exercised ultimately by Parliament as representative of the whole of the community, and immediately by individuals unfettered by any other considerations than those of the public interest; that it prejudices the independence of the trade unions and their capacity to represent their members' interests; or, simply, that it does not make for efficient organization.

All this has been pointed out time and time again, but clearly these arguments are not enough. If the present dissatisfactions are to be overcome there must be some satisfying, positive conception of what Labour is striving for in the field of industrial organization. Something more than the negative case against workers' control is required to bite through the hardening crust of cynicism.

From Socialist Commentary, London, Oct., 1949.

U.S. Imports from E.R.P. Countries



SALIENT POINT: E.R.P. countries supplied 39 per cent of total U.S.A. imports of manufactured goods in 1938. They hold only 23 per cent. of the larger post-war market.

From E.C.A. Report, October 19, 1949

Joint Consultation at Factory Level

Bibliography prepared by the British Institute of Management *

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Contains articles by anumber of authors representing the point of view of management, trade union, the independent research worker and the outside consultant. Matters discussed include the application of joint consultation in special industries, e.g., building, and under special conditions, as in remote groups.

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Suggested functions and organization of a works council, election procedure, necessary officers and data concerning meetings, in fair detail.

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A discussion of the benefits of joint consultation, some difficulties which may be encountered and ways in which they may be successfully surmounted.

Prepared at the request of the Editors of The Economic Digest to meet the needs of a reader. See Our Service to Readers, inside front cover.

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EMPLOYEE COMMITTEES. HAROLD S. ELFORD. *Melbourne: Institute of Industrial Management.* 1944. 20 *pp.*

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VICTORY IN THE MAKING. CANADA—INDUSTRIAL PRODUCTION CO-OPERATION BOARD. *Ottawa: I.P.C.B.* 34 *pp.*

A guide to the organization of labour-management production committees.

PARTNERS IN PRODUCTION. CANADA—INDUSTRIAL PRODUCTION CO-OPERATION BOARD. *Ottawa: I.P.C.B.* 43 pp.

The experience of management in some Canadian industries with labour-management production committees.

INDUSTRIAL DEMOCRACY AT WORK. CANADA—INDUSTRIAL PRODUCTION CO-OPERATION BOARD. *Ottawa: I.P.C.B.* 38 pp.

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Improvements of production and relations at the Dunnville plant of the Monarch Knitting Co., through their labour-management production committee.

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JOINT CONSULTATION, 1923-1948. P. D. PATTRICK, *Journal of Institute of Personnel Management, Vol.* 30, *No.* 296, *March-April*, 1948. *pp.* 72-78.

The growth and present form of joint consultation machinery at Venesta, Limited, and the importance of the principles which it exemplifies to-day.

Standardize.. Simplify.. Specialize

To the producer, less variety means more production. To the user it means lower prices, smaller stocks, improved delivery, service and maintenance —in short, better value

A YEAR ago a committee headed by the Special Adviser to the wartime Ministry of Production was sent to investigate standardization in British engineering. Some months later a group of British industrialists left Britain to investigate simplification in American industry. The reports* of the two investigations have now been published.

The first report says:

"There can be no doubt that the relatively high degree of specialization and simplification in United States industry (including the smaller firms) is a major reason for their high industrial productive efficiency. There are historical and other reasons for this difference, but in our view the economic position makes it imperative that our manufacturers should, in general, aim at a greater degree of specialization and simplification."

The second report says:

"In the United States we found that sales and marketing staffs are constantly striving to create markets which will absorb the large-volume limited-variety product. There is unremitting pressure from the very highest level of industrial management upon the technical, production and sales executives so to design, produce and sell that long runs and large volume production are achieved ... We appreciate that the home market in the U.S. is several times as large as that in the U.K. Nevertheless the American manufacturer has to satisfy a wider range of needs arising from variety of climate and territory . . . We are convinced that our own home market offers ample scope for similar development."

The reports agree that both producer and consumer have much to gain:

From the reduction in the number of types and varieties of products made—*"simplification."*

From the agreement on, and application of, a standard for a particular product, range of products of procedure—*"standardization."*

From concentration of particular productive resources on the manufacture of a narrow range of products—*"specialization."*

To *the producer* less variety means longer runs, reduced tooling and set-up time, increased mechanization, easier training of operatives, simpler and cheaper inspection, less idle plant, smaller stocks, reduced call on drawing office staff, simpler office work, easier service and maintenance, concentration of sales and advertising effort on a narrower range. In short, increased productivity. To *the user* it means lower prices, smaller stocks, improved delivery, service and maintenance facilities. In short, better value.

The recommendations of these Reports have much in common. Both stress the value of joint action

* *The Report of the Committee for Standardization of Engineering Products, H.M.S.O., price 9d. The Productivity Report "Simplification in Industry," published by the Anglo-American Council on Productivity, 21, Tothill Street, London, S.W.1, price 1s.*

From Bulletin for Industry, Economic Information Unit of Treasury, Nov., 1949.

through trade associations. Action which may be taken by the individual firm includes:

(*i*) Close study of the possibilities of simplification throughout the production process, and all possible action to reduce unnecessary variety.

(*ii*) An attempt to steer consumer demand towards simplified ranges by sales techniques, special catalogue markings, and by ensuring that non-standard orders carry their full costs, including a proper overhead charge.

(*iii*) The extension of the practice of compiling standards books covering the standard and simplified products selected for production or use.

(*iv*) The placing of responsibility for all standardization and simplification activities upon a senior official.

(*v*) The consideration of the possibilities of closer collaboration with outside specialist producers and with suppliers of components, stores and materials to make the fullest use of long-run, low-cost capacity, and simplified and standardized materials.

SALIENT FIGURES OF THE MONTH

* September : all other figures refer to October, 1949

		Latest Month	Increase (+) or Decrease (—) on a Month Ago	Increase (+) or Decrease (—) on a Year Ago
MANPOWER				
Total manufacturing industries	(thousands)	*8,311	+ 29	?
Cotton spinning and weaving	do.	* 323.5	+ 0.8	+ 9.7
Coal industry (on colliery books)	do.	710	— 5	— 14
Registered unemployed (Great Britain)	do.	300.3	+ 31.4	— 14.2
PRODUCTION				
Index of production (all industries)	(1946=100)	132	+ 13	+ 8
Coal (average weekly output)	(thousand tons)	4,364	+128	+131
Steel ingots and castings (do.)	(do.)	307	+ 1	+ 10
Cotton yarn (do.)	(million lbs.)	17.7	+ 1.0	+ 0.8
Woven wool fabrics (do.)	(million linear yards)	24.8	+ 3.0	+ 0.2
Passenger cars (do.)	(thousands	9.42	+ 0.7	+ 2.88
Commercial vehicles (do.)	do.	4.94	+ 0.43	+ 1.04
Permanent houses completed	do.	16.37	— 0.42	— 2.24
TRADE				
Value of imports	(£ millions)	198.9	+ 17.8	+ 24.9
Value of exports	do.	156.0	+ 14.0	+ 15.8
Volume of exports	(1938=100)	158	+ 15.8	+ 10.9
Freight train traffic	(million tons)	5.47	+ 0.16	+ 0.06
Retail sales	(1947=100)	* 120	+ 5	+ 7
FINANCE				
Currency in circulation with public	(£ millions)	1,241	— 3	+ 19
Deposits in London Clearing Banks	do.	6,050	+ 41	+ 10
Provincial cheque clearings (av. working day)	do.	6.30	+ 0.89	+ 0.58
WAGES AND PRICES				
Weekly wage rates	(30th June, 1947=100)	109	Same	+ 2
Retail prices	(17th June, 1947=100)	112	Same	+ 4
Wholesale prices, Total	(1938=100)	232.8	+ 6.3	+ 16.1
Basic materials	do.	313.0	+ 5.8	— 9.5
Intermediate	do.	254.6	+ 6.0	+ 14.9
Manufactures	do.	200.1	+ 1.1	+ 9.5
Import prices	do.	121	+ 10	+ 5
Export prices	do.	113	Same	+ 1

House-keeping for Five On 18 Shillings a Week*

Being a Mother at the Welcome for Mothers and Babies, I have been kindly asked by one of the Lady if I mind showing her how I lay out my money without getting into debt. First of all My Husband allows me 18s. his wages are £1 1s.

SATURDAY SHOPPING

	s.	d.
¼lb. tea at 1s. 4d. lb.	0	4
¼lb. cocoa at 1s. 4d. lb.	0	4
2½lb. Sugar at 2d. lb.	0	5
1 qrtn. Flour	0	4½
Baking Powder	0	0½
1 tin Milk	0	3
1 Bar Sunlight Soap	0	3
2lb. Soda	0	0¼
1oz. Pepper	0	0¼
1oz. Mustard	0	0¼
Salt	0	0½
	2	2¾
Carried Forward	2	2¾
Matches	0	0½
Blacking	0	0½
	2	3¾
Groceries	2	3¾
¾lb. Butter at 10d. lb.	0	7½
Coals	1	5
C. Blocks	0	3
Wood Box	0	2
Gas	1	0
Carried forward	5	9¼
Rent	5	0
Children's Boots	0	4
	11	1¼

SUNDAY

	s.	d.
Meat	1	0
Potatoes at 3lb. a 1d	0	1
Greens	0	1
Suet	0	1
	1	3

Flank of Beef at 3d. lb. or else a Small loin of Mutton a Good Suet Pudding with Gravy over it.

MONDAY

	d.
1 Loaf	2¾
Husband Breakfast Money	2
	4¾

Meat left from Sunday fried up Potatoes Pudding warmed up with Sugar for Children.

TUESDAY

		d.
2lb. Breast of Mutton at 3d. lb.		6
2 loaves		5½
Potatoes, 4½ lb		1½
Onions		0½
2lb. Carrot and Turnip		1
Suet		1
Breakfast Money		2
	1	5½

I make a good Stew with plenty of Suet Dumplings and that makes a good dinner for 2 days My Husband taking his dinner in a basin with him to work as it my Washing day. He can hot it up at work.

WEDNESDAY

	d.
1 loaf	2¾
Breakfast Money for Husband	2
	4¾

Soap and Soda get in of a Saturday with the other things.

THURSDAY

	s.	d.
1lb. of Pig's Fry	0	5
Potatoes at 3lb. a 1d.	0	1
2 loaves	0	5½
Husband Money	0	2
	1	1½

* *This unedited statement by a London housewife shows how she kept house for her husband, three children and herself on 18 shillings a week. It originally appeared in 1910, in a book entitled "The Pudding Lady," published by the National Food Reform Association, London.*

Pig's Fry is very nice thickened with Flour.

FRIDAY

	d.
Pieces	3
Onions	0½
Potatoes 3lb	1
1 Loaf	2¾
	7¼
Husband B Money	2
	9¼

Now Friday is a very hard-up day as My Husband gets Paid Friday Night so I send my little boy which is 8 years old very early about 8 o'clock in the morning to one of the good Butchers for 3d. pieces he get them very small but that is just what you want for a pudding as for making the pudding (Crust) the dinner I have on Tuesday I skimmed the fat off and I mixed that in with the flour with Baking Powder and that does as well as suet especially if your hard up of course you dont taste the onions in it as you put onions in the pudding with Pepper and Salt to Flavour it is very nice and it maks a good dinner.

SATURDAY

	d.
Giblets	4
Onions, Turnip and Carrot	1
Potatoes	1
2 Loaves	5½
	11½

SATURDAY SUPPER

	s.	d.
Fried Fish and Potatoes	0	2½
Sunday Morning Breakfast	0	2
	1	4

Now I have showed the Lady how I have laid out my money and I dont think no Mother can go more careful than what I do I look at every penny before I spend it there is my Husband and 3 children and myself, one 8 years the other 5 and one feeding at the breast so that you see it dont give me much chance to get many clothes for them but in the Summer you dont want so much coals and then I put what I can spare down at the Children bank at the School like I do the boots for them you are allowed now at the Schools to put a penny or twopence on a Card untill you get the money for the boots well that comes in very handy and there is another thing I have got a good Husband and he mends all our boots, and buys the leather out of his pocket money as He know I cannot afford it so you see a Mother dont have much for herself. The cocoa I have for myself as I cannot afford beer and another thing I do not want it as I have found out it bring unhappiness to a home.

GETTING THE THINGS IN FOR THE WEEK

	s.	d.
	5	9¾
Rent	5	0
Children boots	0	4
Sunday	1	3
Monday	0	4¾
Tuesday	1	5¼
Wednesday	0	4¾
Thursday	1	1¼
Friday	0	9¼
Saturday	1	4
	17	10

SATURDAY GROCERERS

	s.	d.
3lb. Sugar	0	6
1lb. Rice	0	2
¼lb. Tea	0	4
¼lb. Cocoa	0	4
1 Tin milk	0	3
1 qrtn. Flour	0	4½
Baking Powder	0	0½
1d. pkt. Edward's Soup Powder	0	1
½ bar Soap	0	1½
Blue	0	0½
Matches	0	0½
½lb. Butter at 10d	0	5
½lb. Dripping	0	3
Coals	1	5
C. Blocks	0	3
Gas	1	0
Boots	0	4
Rent	5	0
	10	11½

SUNDAY

	s.	d.
Hock of Bacon at 4d. lb.	1	4
Harricot Beans	0	1
Potatoes	0	1½
Milk	0	1
	1	7½

Cold Bacon Left from Sunday and what left of Pudding.

MONDAY

	d.
Loaf	2¾
Husband Breakfast Money	2
	4¾

TUESDAY

	s.	d.
Pieces	0	6
Onions	0	0½
Carrot and Turnip	0	1
Potatoes	0	1½
2 Loaves	0	5½
Breakfast Money	0	2
	1	4½

WEDNESDAY

	d.
Left from Stew.	
1 Loaf	2¾
Husband Money	2
	4¾

THURSDAY

	s.	d.
Mutton Chops, 1¼lb. at 4d. lb.	0	5
2 Loaves	0	5½
Potatoes	0	1
Husband Money	0	2
	1	1½

FRIDAY

	d.
4 faggots	3
Potatoes	1
Onions	0½
1 Loaf	2¾
	7¼

SATURDAY

	s.	d.
½lb. Bacon	0	3½
½lb. Liver	0	2½
Potatoes	0	1
Bread	0	5½
	1	0½

FOR SUPPER

	d.
¼lb. Cheese	2

SUNDAY MORNING

	d.
Breakfast	2

U.K. NATIONAL DEBT

The National Debt in 1900 was £629 million, being £15.3 per head of the population. In 1910 the figures were £713 million and £15.9 ; in 1920 £7,832 million and £167 ; in 1930 £7,573 million and £165 ; and in 1949 £25,267 million, being £503 per head of the population.

Chancellor of Exchequer, Nov., 11, 1949

FOOD SUBSIDIES

The annual rate of payments made, in £m., are :—To reduce the cost of imported food is £183.5 ; to reduce the cost of home-grown food is £211.3 ; to reduce the cost of imported feedingstuffs is £33.8 ; to reduce the cost of home-grown feedingstuffs is £2.9. Average Payments, £16.1 Fertilizers, £15.1. Total, £462.6.

Chancellor of Exchequer, Nov. 3, 1949

Power from the Wind

By T. G. N. HALDANE
Past President, Institution of Civil Engineers

Rising demand for electricity creates the problem of finding new or additional sources of fuel. Windmill generators could save nearly 2,000,000 tons of coal a year

THE existing rate of increase in the consumption of electrical energy, for both industrial and domestic purposes, is high and may become even higher in the future. Estimates suggest that 20 years hence some 90 million tons of coal a year will be required for use in thermal stations —not far short of half the present total production of coal in this country. This prospect is likely to create many difficult problems, and any way in which electrical energy can be generated economically without the use of coal or imported fuels becomes a matter of vital importance. For certain other countries the importance of conserving coal may be even greater than for Britain.

The use of wind power, like that of water power, is no new conception, but whereas the design and efficiency of hydraulic plant were greatly improved by the early application of scientific knowledge, the more recently acquired aerodynamic knowledge has not yet been applied to wind power plant to any appreciable extent.

Like water power, it is inexhaustible, but although freely available, particularly in certain coastal districts, it cannot conveniently be stored on a large scale. Thus, the wind cannot be relied upon as a source of energy for use at any particular time but must be exploited when it happens to blow, though there is the future possibility of combining wind power with the storage capacity of water power.

Excluding this prospect, the large scale utilization of the wind for electricity generation must be by means of plants feeding their outputs directly into electricity supply networks and so reducing coal consumption in the thermal stations. Fortunately the grid and the supply networks which it feeds are now so widespread that such infeed is a practical possibility, even if the windmill sites are in fairly remote districts.

The prime object of the present work is the development of windmill generators of the largest economic size to save fuel by supplying energy to the country's main networks. If it is proved that their optimum size is between 1,000 and 2,000-kW., the installation of some hundreds of plants, either singly on sites near the network or in groups at more distant points from which it will be worth while transmitting the output, might well give a total capacity of about 1,000,000-kW., which is by no means insignificant. Whether still further development might be possible is at present beyond the bounds of conjecture.

An installed capacity of 1,000,000-kW., making use of sites on or near

From The Times Review of Industry, London, Oct., 1949.

the many hundreds of miles of suitable coastline, would provide an annual output of energy of between 3,000 million and 4,000 million kWh., which would represent an annual saving of between 1½ and 2 million tons of coal. The capital cost would probably be some £50 million, and the useful life should exceed 20 years. Because of its location, the land occupied would not, in the main, be valuable for other purposes nor, indeed, would the acreage be extensive since the base of each tower would cover only a small area.

A 2,000-kW. windmill of the propeller type would stand on a tower some 150ft. to 200ft. high, and the propeller of either two or three blades would probably be about 200ft. in diameter. Much work has yet to be done before considering the actual design of a full-scale windmill generator.

The relatively large sets just described, operating in connexion with the Grid network, would, in effect, be in competition with thermal generating stations, and, since they would not have a reliable output of kW., their generated energy would have to compare favourably in cost with that of the fuel component only of thermal generation.

There are, however, two other applications of windmill generation which, while they are not the main object of the investigations now in hand, offer a greater certainty of economic success. They are first the use of medium size units, of perhaps 100 to 500-kW. capacity, in conjunction with oil engine generating sets for local networks, particularly on windy islands such as those round our own coasts and also to be found in many other parts of the world. Such islands frequently have little, if any, potential hydro-electric power, while fuel costs are high.

The second outlet, which has promising possibilities, is the installation of units of large size as adjuncts to hydro-electric power schemes. In these circumstances wind power may provide "firm power," because the energy generated by the wind, since it would conserve water, could have the effect of additional catchment area or of extra rainfall, thus enabling a hydro plant of greater kW. capacity to be installed than would otherwise be possible. This arrangement would be advantageous because hydro plant is relatively cheap.

TRUTH ABOUT UNREQUITED EXPORTS TO INDIA

All the economic help that India gets to-day from the West consists of the exports of vital capital goods which Britain sends to her in payment of the sterling balances accumulated by India during the war. This British economic aid to India is not provided as the result of a deliberate and thought-out policy. A political grand strategy for Asia, an Asian counterpart to the Marshall Plan for Europe, is lamentably lacking in Britain and America alike. The Indian sterling balances are a fortuitous by-product of the late war. This does not diminish their present importance. Indeed, if they did not exist, they would have to be invented. Asking Europe to withhold or divert her exportable surplus goods from Asia, where they are desperately needed, and to push them to America, where they are not needed and hardly wanted, may be orthodox economics : it is suicidal politics.

Observer, London, Dec. 11, 1949

Germany's Economic Chief

Ludwig Erhard - Philosopher of Free Trade

He is opposed to planning of all kinds. He believes in free exchange, free prices and the free market. He wields great influence in Germany.

IN refusing the Social Democrats ultimate power the German people voted against a platform that promised little but central planning at home combined (as it is so often combined these days) with rampant nationalism. The victory of the Christian Democrats does not guarantee a peaceful and reformed Germany. It does reflect two great and constructive influences.

The first of these influences, personified by Chancellor Adenauer, is that of the Catholic Church, which has proved itself all over again one of the stabilizing forces of Europe. The second influence—and the important one for U.S. economic policy makers—is that of Dr. Ludwig Erhard, Economic Minister of the German Government.

Dr. Erhard is represented as being a believer in "free enterprise." If that were all, he might be written off as a smart politician who knows on which side the German bread is currently buttered so far as U.S. aid is concerned. But the more the matter is studied the more it becomes apparent that Dr. Erhard and his colleagues are committed to something a good deal more constructive than just the resuscitation of German business, important as that may be.

A Bavarian by birth, who taught economics at Nüremberg and Munich, Dr. Erhard belongs to a school of thought that has its roots in the great classical tradition of the nineteenth century. This school—currently represented in Germany not only by Erhard but by such men as Walter Eucken of Freiburg—owes nothing to Marx and less to Hitler, and has even proved itself immune to the siren call of neo-Keynesianism. (As the saying goes, Keynes never crossed the Rhine). It is opposed not only to doctrinaire socialism but to planning and *dirigisme* of all kinds. It is passionately devoted not just to free enterprise (in the narrow sense of business) but to the philosophy of free exchange, free prices and the free market.

If Dr. Erhard has his way—and he currently wields great influence—the elections will turn out to be a victory not for reaction or for soft socialism but for a curious blend of Catholicism and the all-but-forgotten free trade principles of Manchester. To find the ghosts of Adam Smith, Cobden and Bright rising out of the German ruins may be surprising to some and discomfiting to others. But that Dr. Erhard's ideas should appeal to the German people is not difficult to explain.

Great historical movements tend to breed their own reactions, if not their own correctives. Under Hitler the Germans received a dose of planning such as few people have ever

Courtesy of Fortune Magazine, Chicago, Oct., 1949.

received. As long as this planning worked it could be regarded as the "wave of the future." But the wave broke, and thereafter, during the first years of the occupation, the Germans were treated to quite a different experience.

When the Allies entered Germany they found an economy where money was almost worthless. They therefore took over all of the Hitlerian controls and attempted to plan every phase of German industry by countless directives. But whereas directives backed at gunpoint are one thing, directives backed by slips of paper are quite another. The whole fabric of German business went to pieces. The result was the creeping paralysis of the *Papierkrieg* years.

It was this total bankruptcy of planning that gave the chance for other ideas, old-fashioned ideas if you will, to prevail. Dr. Erhard cannot claim credit for the currency reform of June, 1948, which was the work of many minds, including British and American. What Erhard did, as economic director of Bizonia, was to press the idea that monetary reform was but a means to a further end—the decontrol of prices and the return to a condition where the price mechanism could once again act as the "hidden hand" controlling production.

With a boldness that offended a good many Allied experts (especially the British), he decontrolled internal prices right and left. The first few months were tense. Prices rose. Riots occurred. But Erhard stuck to the idea that if the experiment could only be continued a little longer, supply and demand would meet.

His theory proved correct, and in December, 1948, prices levelled off. Meanwhile decent currency plus decontrol worked wonders. The black market all but disappeared. Goods came out of hiding. Business men abandoned their elaborate barter deals and began to use money as a medium of exchange. Workers found that their wages would buy something. Perhaps never before in history have the defects of "planned" economy been so ruthlessly exposed as in the first years of the occupation. And never before have the virtues of the market so proved themselves as in the months following the currency reform.

FRANCE SURPRISES HOLLAND

It is strange that France is taking the initiative in forming a regional group. No doubt, she wants to please the Americans and gain a political success. In fact, France constitutes in Europe a serious obstacle to the liberation of trade. For generations she has pursued a protectionist policy in both the industrial and agricultural field. In addition, French protectionism manifests itself not only in quotas, but also in very high import duties. France should be the first country to accept the consequences of her own initiative. The impression must be avoided that the whole matter is nothing but a propaganda affair. The proposed regional group must comprise Britain or at least envisage a close collaboration with her. In any case, Holland must also adapt the point of view that Western Germany should become a member of the group and that without her the new organization loses all interest.

Maasbode, Holland, Dec., 1949.

Of course, the Marshall Plan still has not a chance of making Western Europe economically independent by 1952 unless there is an end of the cold war. Integration could not do it either. But it is a lovely big word for headlines.

Joseph Harsch, Christian Science Monitor

House Property is Deteriorating

Because houses are also homes, protection of tenants is imperative. But the penalty of rent restriction is lack of funds for sound maintenance

The argument of this broadsheet can be briefly summarised as follows:—

(1) The Rent Restrictions Acts, each of which individually was introduced to achieve a desirable end and possessed a logical basis, have together left a complicated system full of anomalies as between different landlords, different tenants and different types of houses.

(2) In particular, the increase since 1939 in the cost of repairs and maintenance has reduced the net return to many property owners to a level at which they cannot keep houses in repair and still secure a return which seems to them worth while.

(3) As a result, many of the better landlords are selling their properties, often to less conscientious owners. A large part of the national stock of houses is in danger of rapid deterioration, to avoid which some action is necessary.

(4) The probable effects of immediate decontrol would be undesirable. Therefore, if control must continue, the system must be reformed.

(5) A system of controlled rents can never satisfy all parties or avoid anomalies altogether. Broadly speaking, it might be better to aim at securing uniform rents for similar dwellings—that is, to make the rent vary with the condition and amenities of the house—rather than at securing a uniform yield to landlords based on construction costs or last purchase prices.

(6) In theory, it might be most satisfactory to fix the rent of a new house and adjust the rents of older houses of similar type by reference to this standard. But the need to survey every rent-controlled house separately makes this an impossible method of securing rapid action. The revaluation for rating purposes, introduced under the Local Government Act, 1948, may provide a suitable basis for long-term readjustment. But it will not be possible even to decide whether it is suitable until 1953.

(7) In the meantime, the problem is urgent. Although more precise information about the size of the increase in repair costs is urgently needed, such data as are available suggest that increases in rent ranging from perhaps 25 to 75 per cent. might be necessary. No general uniform increase is likely to be politically practicable. The only hope is to permit increases of varying sizes, designed to eliminate the worst anomalies between houses of similar type. This will be politically unpopular and administratively difficult. But something of the sort must be done. The burden on tenants might be mitigated by subsidy or by reliefs through tax allowances to landlords.

(8) If any increase is to be acceptable, tenants must be given sanctions to ensure that repairs are in fact done. They should have the right to withhold the whole of any permitted increase in rent if a local

From Rent Control Policy, P.E.P., London, Nov. 7, 1949 and the Westminster Bank Review, Nov., 1949.

authority certifies the need for repairs and these are not carried out.

These conclusions from the P.E.P. Report raise a national question of great importance for the individual citizen. The stock of houses forms part of the fixed capital of the country; if landlords are unable or unwilling to keep them in good repair, the stock deteriorates, perhaps irretrievably.

But houses are also homes and cannot be treated in quite the same way as other forms of capital. The rent of a house, which for the landlord represents the return on investment, is for the tenant a considerable and unavoidable item in his cost of living. Poorer tenants may therefore need protection against rent increases. In periods of house shortages, this protection has had to be extended to the great majority of tenants. But, if at the same time building labour and materials are scarce and costly, it is difficult for even the best landlords to carry out essential repairs. Unable to maintain property in good condition, they may sell to less scrupulous landlords who have no intention of trying.

House property has traditionally been a field for small investors. It is easy to forget the claim of the property owner for just treatment, sandwiched as he is between the broad interests of the nation and the personal welfare of the tenant.

The problem of rents and their control is one of the most complex of the day, full of political and emotional interest. But the present situation can hardly remain unchanged much longer.

The broadsheet goes on to discuss the Rent Restrictions Acts and the reports of committees who have dealt with the subject, especially the Ridley Committees recommendations in 1945.

An article in the *Westminster Bank Review* arrives at much the same conclusions.

"None of the committees that have investigated the housing problem since the First World War, and few of the witnesses appearing before them, have questioned the need for some form of control over rents and conditions of tenure in the exceptional circumstances that have existed over the past three decades. At the same time attention has been drawn time and again to the possible effects of the present restrictions on the provision of accommodation for letting. All the evidence appears to show that the housing authorities are quite powerless to provide this accommodation unaided by private enterprise—at least in a sufficiently short space of time. The evidence also seems to point to the fact that much existing accommodation is deteriorating through lack of resources in the hands of landlords, and these resources can only come from rent receipts. At the same time it seems probable that the present form of control discourages both private building for letting and the conversion into flats of large houses in private hands.

"If the control of rents is destined to become, not a temporary expedient in time of shortage but a permanent feature of our economy, then there is a strong case for some alteration in the way in which the control operates. At present a section of the population, selected quite arbitrarily, is being subsidized at the expense of another much smaller section, with very little regard to any question of social justice.

"Finally, even if there is to be no major alteration of the existing law, there is one point on which all who have anything to do with the present Rent Restrictions Acts are agreed, namely, that some attempt on the part of Parliament at consolidation and simplification is an urgent necessity."

New Directions for Commonwealth Trade

The report from which this summary of conclusions is taken, brings together facts and figures not otherwise easily available. It reveals the extent and effects of changes in the pattern of Commonwealth trade since 1939. Forecasts are made of probable developments, especially in undeveloped members of the Commonwealth

COMMONWEALTH countries have regained their pre-war share of some 30 per cent. of total world trade and their trade with one another is rather less than their trade with the rest of the the world. External factors may thus affect Commonwealth trade to a marked extent and in this context the maintenance and expansion of imports by the United States and the recovery of Western Europe are of manifest importance; the significance of these factors was emphasized in 1949, when the effects of the first pronounced check to post-war expansion became apparent. It should also be noted that Commonwealth countries, which have been able to restore or increase their export trade more rapidly than some foreign countries formerly important in world trade, may expect to encounter competition from such countries. The importance of overcoming these problems need not be emphasized at a time when all Commonwealth countries are seeking to establish a more satisfactory pattern of trade.

These considerations suggest that, although Commonwealth trade, particularly on the export side, has increased in volume as well as in monetary terms since before the war, the task of the Commonwealth in maintaining and expanding this trade may prove difficult. There are, however, other factors operating to make the prospects of Commonwealth trade more favourable, both in the United Kingdom, still the largest market for other Commonwealth countries, and in the United States and Western Europe, the Commonwealth's other main markets. Briefly, these new factors may be summarized as the need of the United Kingdom in present circumstances to utilize Commonwealth sources of supply as far as possible, the corresponding need for all Commonwealth countries to expand dollar exports to the maximum extent, and the plans formulated by O.E.E.C. countries to draw more extensively than formerly on sterling countries. It is difficult to evaluate the ultimate effects of these factors, but it seems reasonable to infer that, taken together, they may give an impetus to a further expansion of Commonwealth trade.

This, however, is only part of the picture and in view of changing world conditions it would be unrealistic to limit possible developments to those in the older markets. The progress of large scale industrialization in primary producing countries and the execution of large scale development plans in underdeveloped countries might, in fact, imply changes in the volume, character and direction of Commonwealth trade which would alter very considerably the present pattern.

Review of Commonwealth Trade, published for The Commonwealth Economic Committee by H.M. Stationery Office, 1949.

Again, however these changes may come about, or in whatever direction they will at first operate, development plans for Africa and India must be considered as of primary importance; the enormous extent of these territories considered as production units, the probable extent of their natural resources, and their size as potential markets if living standards can be raised, may reasonably be taken as factors of the first importance in any overall assessment of the future.

Thus, whatever the present difficulties may be, there are aspects of the situation both in the Commonwealth and elsewhere which should ensure that the Commonwealth will continue to make an important and, it is hoped, an increasing contribution to world trade.

No Future for Canada As the Forty-ninth State

By R. KEITH JOPSON

U.K. Senior Trade Commissioner in Canada

On the broad economic front, Canadian thought and Canadian action is bent towards the creation of conditions in which multilateralism can stage a revival, paving the way to an eventual return to the secure basis of her whole economic structure, namely the utilization of her substantial export surpluses with the rest of the world to meet her expenditure in the United States.

There are those who hold that such conditions will never return and that Canada, with slim prospects of self-sufficiency, should, for better or for worse, and in her own long term interests, throw in her economic lot with the United States. The proponents of such a policy either fail to grasp the magnitude of the readjustments that it would entail, or are prepared courageously to face up to them.

They must presumably be aware that the two economies are not really complementary: that United States demand is largely focussed on relatively few basic products to the exclusion of the many manufactured goods that a robust Canadian industry now produces with such skill and on lines parallel to United States production.

They cannot be unconscious of the fact that the United States is herself a great producer of the same primary commodities, like wheat, foodstuffs and timber, as those on which Canadian prosperity has been founded, and that in conditions of depression, not only would Canada suffer the same fate as all primary producers, but would be subservient in her newly-created principal market. No doubt the road back to multilateralism is a hard one, but it may be the safer road in the end.

From Board of Trade Journal, Nov. 12, 1949.

Double-Pricing is Discrimination

To concede that there is a good case for double-pricing in the case of British coal, and perhaps other commodities, in present circumstances is not to say that Mr. Hoffman is not justified in calling the attention of European countries to the desirability of bringing to an end the practice of fixing differential prices. There is little doubt that discrimination in this field does tend to perpetuate economic maladjustment.

But it must be remembered that it is only one of many forms of trade discrimination practised by the trading nations. Thus, if those countries which favour this particular form of discrimination are to be induced to mend their ways, probably they will first have to be convinced that other countries practising different but equally harmful forms of discrimination will also reform.

If Mr. Hoffman really wants European countries to take big strides in the next few years in the direction of the outlawing of double-pricing and other discriminatory practices he should bend all his energies to induce the American Government to overhaul its trade policies.

No country is working more strenuously to perpetuate economic maladjustment than the United States is at the present time with its high tariffs and farm-price-support policies. No country is doing more to prevent European countries obtaining the relief from their short term troubles that they need before they can run the immediate risk entailed by participation in comprehensive programmes of economic reform than is the United States by pursuing trade policies suited to a debtor country long after it has ceased to have that status.

From The Statist, London, Nov. 12, 1949

Iraq's Hangover

Up to 1939 Iraq's foreign trade was gradually increasing and her adverse balance of trade was of an order of I.D.4 million per annum. This deficit was met by oil royalties and other invisible payments. Her normal budget estimates were about I.D.4-5 million with usually a small surplus. This happy state of affairs no longer exists; in 1947 she had an adverse visible trade balance of about I.D.26 million (in 1948 it was even greater, being about I.D.38 million) and an adversely unbalanced budget totalling I.D.23 million.

Between 1942 and 1945 almost every commodity was subject to international allocation and Iraq's imports were necessarily limited, but with the relaxation of control at the beginning of 1946 Iraq indulged in an orgy of spending which has resulted in the very unfavourable balance of trade in the last three years. This greatly increased import trade has largely been financed by agreed releases from Iraq's accumulated sterling balances.

From Board of Trade Journal, Oct. 15, 1949.

Rising World Production of Fertilizers

Of the increased world production of all plant nutrients, Europe accounted for 53 per cent. in 1948/49, in contrast with more than 70 per cent. in 1938. Production of nitrogen in 1948/49 was 99 per cent. of pre-war, phosphoric acid 108 per cent., and potash 88 per cent. Before the war, European production of nitrogen, phosphoric acid and potash amounted to 64, 61 and 88 per cent. respectively, of the world's total. Corresponding percentages in 1948/49 were 49, 47 and 69.

North America's share in the production of all plant nutrients rose from 14 per cent. pre-war to 34 per cent. in 1948/49. During the period its production of nitrogen increased by 282 per cent., of potash by 234 per cent., and phosphoric acid by 195 per cent.

Production of all commercial fertilizers in Asia in 1948/49 was 68 per cent. of 1938 and fell from about 8 per cent. of the world total in 1938 to less than 5 per cent.

In South America, production of nitrogen increased by 22 per cent. over pre-war. In Oceania, production of soluble phosphates rose by 23 per cent. In Africa, production of phosphatic fertilizers almost doubled.

PRODUCTION OF COMMERCIAL FERTILIZERS BY CONTINENTS

	Pre-war			1948/49		
	N* (1938/39)	P_2O_5* (1938)	K_2O* (1938)	N*	P_2O_5*	K_2O*
	(Thousand metric tons)					
Europe (excl. U.S.S.R.)	1,656	2,160	2,468	1,635	2,334	2,175
North & Central America	289	649	288	1,104	1,913	962
South America........	245	33	1	299	43	11
Asia..................	373	310	4	306	178	2
Africa................	—	45	—	—	99	—
Oceania..............	5	357	—	10	434	1
Total (excl. U.S.S.R.)	2,569	3,554	2,789	3,353	5,000	3,152

* N = Nitrogen ; P_2O_5 = Phosphoric Acid ; K_2O = Potash.

From F.A.O. Commodity Series—Bulletin No. 17, Commercial Fertilizers, Washington, Sept., 1949.

PRODUCTIVITY STATISTICS

Much reference has been made to the statistics for increased productivity. I do not challenge the accuracy of the statistics on that subject on the basis on which they are prepared. But I am quite sure that they have been used in such a way as grossly to mislead the public. They clearly reflect a larger population than before the war and the impact upon employment of the backlog of post-war demand. They also reflect improvements in mechanisation and in technique. They do not reflect a greater personal contribution, on the average throughout the country, of individual effort in intensity and duration. In particular they do not do so in some of our basic industries.

Sir Arthur Salter, M.P., House of Commons, Nov., 9, 1949

DIGEST Book Review

Brazil— An Expanding Economy

By GEORGE WYTHE, ROYCE A. WRIGHT, and HAROLD M. MIDKIFF

THE Twentieth Century Fund of New York sent a seasoned team of trained investigators headed by George Wythe, Chief of the American Republics Division of the U.S. Department of Commerce for several months in 1947 and 1948, to gather data for a report on the economic possibilities of Brazil. The comprehensive report prepared by the three members of the team covers every aspect of the way of life of Brazilians.

At successive periods of its history Brazil has occupied the leading position in world production of dyewoods, sugar, tobacco, gold, diamonds, cotton, rubber, cacao and coffee, but it has lost its primacy in all except the last. Each of these periods of great wealth has produced its fine flowers of civilization. Yet enduring achievements, in the form of physical assets or training of new generations, have been disappointing in relation to the size of the country and its apparent potentialities. The reasons for this failure lie both in the nature of the physical environment and in the character of the socio-economic development.

Perhaps Brazil's chief handicap is what has been called "the poor geographical arrangement of Brazil's superlative qualities." The country ranks high as the possessor of great water-power resources, but a large part of its power potential is inconveniently located in relation to population, transportation facilities and raw materials. Coal deposits are of poor quality and costly to exploit, but there are possibilities of large petroleum reserves and of valuable minerals, including high grade iron ore.

More than two-thirds of the Brazilian people live in rural regions and depend on products of the soil for their livelihood. Yet the cultivated land is only about 37 million acres, and comprises but 1.8 per cent. of the total land area. Brazil is largely self-sustaining in food products with the exception of wheat, though the average diet is insufficient by nutritional standards.

Agriculural Output

The total value of agricultural output in 1946 was $1,219 million. Coffee is far in the lead, contributing more than one-fifth of this total, and it is also the principal export. Nearly twice as much acreage is devoted to corn as coffee, however, and the value of the corn crop stands second on the list. This is consumed almost entirely within the country. Rice is also widely grown, chiefly for home consumption. Another important food crop consumed domestically is manioc; beans and potatoes are also raised for the home market. The

The Twentieth Century Fund, New York, 3 dollars 50 cents

cultivation of sugar cane has recently been expanded, after years of neglect; this is the fourth food crop in the order of value.

Among the industrial or commercial crops cotton takes first place; it expanded rapidly beginning in the 1930's, has been an important export and supplies much of the domestic textile industry. Tobacco is grown mainly for domestic consumers. Cacao, bananas, citrus fruits and many other varieties of fruits and nuts are produced both for export and for the internal market.

Meat Production

Brazil has the largest cattle population of any South American country; grazing is the oldest industry. The value of meat usually exceeds that of any single crop. Yet in cattle products, by value, Brazil is a poor second to Argentina. At present there is a shortage of these products for the domestic market, though some are exported.

A great many of the products of the soil are not ordinarily cultivated, but are obtained mainly from trees or plants in the wild state. Among these are woods of many sorts, technical crops, rubber, nuts and fruits, and some vegetable oils.

Rural products not only sustain most of Brazil's population and directly provide a living for more than two-thirds of it, but also supply the chief items of export, by means of which Brazil is enabled to purchase much of what she requires from abroad. Yet agricultural output is insufficient for domestic needs, and on that account exports of crops of which there is a domestic shortage have been restricted. Improvement of agriculture, for the benefit both of producers and of consumers, is one of the nation's principal concerns.

The growth of manufactures has been deliberately encouraged by tariff protection, financial assistance and export restrictions on raw materials. Textile manufacturing is the oldest and largest industry. Brazil is now self-sufficient in all but a few of the better grades of fabrics, and a large exporter of cotton textiles, principally to neighbouring South American countries.

Brazil has normally been a debtor nation during the present century, and has as a rule had an export surplus on that account. Only in a few years when one of three circumstances intervened has Brazil had an import surplus. One of these has been default of payment on foreign obligations, the second large new loans from abroad. The third occurred in 1947, when as a result of heavy exports during the war years, and inability to buy as much as usual from the main belligerents, Brazil had accumulated a large balance of foreign exchange which was spent for needed supplies as soon as these became available after the close of hostilities.

Export Needs

It is estimated that at present Brazil needs a commodity export surplus of something under $100 million to service and amortize foreign debt, and to take care of other invisible items. This is much larger than her average export surplus before the war, but is less than one-tenth the total value of Brazilian exports during 1947, which were, in terms of current dollars, three to four times as large as the pre-war exports. In the absence of a calamitous deflation, Brazil should therefore be able to continue to buy a large amount of equipment and services abroad, and should in addition be able to pay the charges on a moderate amount of new foreign investment, especially if that

investment resulted in substantially increased production and augmented exports.

The United States is the chief market for Brazil's exports and the largest supplier of imports. The United Kingdom stands next, but a long way behind.

The value of foreign investments is probably in the neighbourhood of $1,500 million, of which Britain holds $550-600 million, America $450-500 million and Canada $200 million. The market value of British investments in Government bonds is estimated to have fallen from £105 million in 1946 to £66½ million in 1948. Other investments in railways, shipping, bonds, etc., were around £85 million. Partially offsetting their investments are frozen Brazilian credits arising from Brazilian shipments during the war, which stood at £50 million in May, 1948. These "sterling balances" may be used for the repatriation of Brazilian sterling loans and for the purchase of the Sao Paulo and other British-owned railways.

The final chapter of the book discusses the economic future of Brazil with special reference to the five-year development programme known as the Salte plan. This plan concentrates on four main objectives, the improvement of health, the production of foodstuffs, transportation and the development of power resources. A considerable part of the expenditure is to be met by borrowing abroad, including loans from the Export-Import Bank or the International Bank, and by the use of frozen credits in Europe. But the main reliance will be on the United States both for goods and for technical services not available in Brazil.

Shorter Book Notices

MANCHESTER SCHOOL OF ECONOMIC AND SOCIAL STUDIES, SEPT., 1949

(*University of Manchester*, 6/-)

This issue has three articles of general interest. F. V. Meyer and W. Arthur Lewis combine to weigh up the effects of an overseas slump on the British economy with the main focus on a slump in America. Their conclusions are far from pleasant. If an American slump develops there is little that Britain can do about it, except protest. An effort might, however, be made to persuade the United States to support one or other of two automatic systems for stabilising world trade, an international buffer stocks scheme or a scheme for stabilising the value of American imports. Paul Streeten analyses the Theory of Profit, which he describes as one of the most unsatisfactory parts of the economic doctrine. Irene W. Scarf examines the case of Haslingden, a typical Lancashire cotton weaving town, as an example of the problems that arise in putting into effect the general policy of diversification.

INVISIBLE BARRIER

by George T. Altman (De Vorss & Co., Los Angeles)

The American author is not an economist but an attorney and certified public accountant with a practice limited to tax matters; he is also a professor of tax law. The original purpose of the book was to set out a system of taxation which would compensate for business fluctuations, operating as a sort of fuse in the economic system.

But the final product is rather a broad incursion into economic theory, the concept of investment as a " prime mover " in the economy and its effect on the trade cycle. From his exhaustive study there emerge lines of thought which are to some extent original and unorthodox, especially in the concluding chapter, " Correction through Substitution," in which he discusses Government as a " supplementary prime mover," and complete or partial nationalisation as a substitute for the profit motive. He challenges the theory that American progress is a product of private enterprise and that freedom is possible only under a system of private enterprise.

DEMOGRAPHIC YEARBOOK, 1948

United Nations, Lake Success, 1949.

This new venture of the U.N. Statistical Office is the first comprehensive compilation of international statistics on demographic questions. It caters simultaneously for the scholar in search of original data, and for the general reader whose main interest lies in the intertemporal and international comparisons of aggregates and rates. The Yearbook contains 39 tables dealing with population, births, deaths, marriages, reproduction rates, life tables and migration. In future its scope is to be further extended. An introduction discusses methodological questions and points out the limitations of comparability of the individual figures. The Yearbook fills a gap in international statistics.

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